

## CLWYD PENSION FUND COMMITTEE

<b>Date of Meeting</b>	Wednesday, 4 <sup>th</sup> September 2019
<b>Report Subject</b>	Governance Update
<b>Report Author</b>	Clwyd Pension Fund Manager

### EXECUTIVE SUMMARY

On each Committee agenda LGPS governance matters and the impact on the Clwyd Fund are provided for discussion along with updates on the Clwyd Fund's governance strategy and policies for information. The LGPS items for discussion this quarter are:

- The update from the LGPS Scheme Advisory Board (SAB)
- The proposals relating to the SAB Good Governance Project
- The outcomes of The Pension Regulator's (TPR) annual survey of public service pension schemes

Updates on the implementation of governance strategy and policies for monitoring:

- An update on progress with the 2019/20 business plan
- Update to the Fund's risk dashboard and in particular governance risks
- A summary of the key points discussed at the Local Pension Board
- The latest changes to our breaches of the law register.
- Information to note on training and other events.

### RECOMMENDATIONS

1	That the Committee consider the update and provide any comments. The Committee should particularly highlight any concerns or suggestions they have in relation to the SAB Good Governance Project (paragraph 1.05) and the TPR's survey results (paragraph 1.06) to ensure the Fund continues to focus on high quality governance and administration.
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## **REPORT DETAILS**

<b>1.00</b>	<b>GOVERNANCE RELATED MATTERS</b>
	<b>Business Plan 2019/20 Update</b>
1.01	<p>Appendix 1 shows progress with this quarter's work in the 2019/20 business plan which covers the following two actions:</p> <ul style="list-style-type: none"> <li>• The business continuity plan (G1) was due to commence this quarter but this work is slightly behind schedule.</li> <li>• The review of the pension administration system contract (G2) is making good progress as part of the national framework.</li> </ul>
1.02	The Committee is asked to note the contents of the business plan update.
	<b>Current Developments and News</b>
1.03	<p><i>Pension board update</i></p> <p>The Clwyd Pension Fund Board met on 1 July 2019. The minutes from the meeting will be circulated when they are finalised. The key points from the meeting are as follows:</p> <ul style="list-style-type: none"> <li>• Data Improvement Plan – The latest version of the Plan was shared and the Board were provided with an update on the excellent progress made in relation to the planned improvements. It was noted that the work would also assist in having more robust data for the actuarial valuation process.</li> <li>• Business Continuity – The Board requested that the first draft of the Business Continuity plan be shared with them when it was available.</li> <li>• Guaranteed Minimum Pension (GMP) Reconciliation Project – The Pensions Administration Manager highlighted that the main reconciliation results were due shortly and then this could result in the need to adjust pension payments for some pensioners and dependants. A policy would need to be agreed in relation to how any overpayments were to be dealt with, including whether they would be reclaimed. The Board asked for some information to be gathered into how others dealt with these cases, including gathering advice from national bodies. The sensitivity around this was noted.</li> <li>• Administration Update – <ul style="list-style-type: none"> <li>○ The Board received an update on the latest performance statistics and particularly noted the increasing numbers of retirements and quotations being carried out by the team. Some of this is because of system issues with the on-line Member Self Service facility.</li> <li>○ The Board also noted the results of the latest annual scheme member and employer surveys and, although disappointed to see a decline in some areas, they were assured that actions were already in place within the team to turn this around.</li> <li>○ The Board were very pleased to hear that all the vacant positions in the Administration Team were now filled.</li> </ul> </li> <li>• TPR Code of Practice and Action Plan – The Board were pleased with the progress with the outstanding actions. They noted that some were delayed due to the recruitment in the Finance Team.</li> </ul>

	<ul style="list-style-type: none"> <li>• McCloud/Cost Cap Process and Brexit – The Board received updates on these matters.</li> <li>• Asset Pooling – <ul style="list-style-type: none"> <li>○ The Chairman of the Board updated the Board on her meeting in April with the Host Authority and the other Welsh Pension Board Chairs. The meeting had been set up as a result of ongoing concerns around the governance of the Wales Pensions Partnership (WPP). The Chairman reported that the Host Authority had shared their plans for their priorities for the year and this provided a high level of assurance that the outstanding matters would be dealt with during this financial year. It was agreed that similar meetings would take place twice yearly.</li> <li>○ The Clwyd Pension Fund Manager also updated the Board on other matters, including: <ul style="list-style-type: none"> <li>▪ WPP had written to Link looking for assurance following some issues relating to other assets they managed (Woodford).</li> <li>▪ A draft WPP Responsible Investment Policy was to be considered at the next JGC as well as with each Funds' Committee.</li> <li>▪ There is ongoing work to ensure the detail within investment monitoring reports for WPP assets meets the requirements of each Fund. The Clwyd Pension Fund Manager was also asked to question why the investment performance reports at JGC were private, rather than public, items.</li> </ul> </li> </ul> </li> <li>• Change in PFC Membership - The Board asked for assurance that training would be put in place for the new Committee members as soon as possible.</li> <li>• Annual CIPFA Pension Board event – the Chairman updated the Board on this event. She particularly noted that most Pension Boards appear to be adding value and more Boards are now reporting that they have positive relationships with their administering authorities.</li> </ul>
1.04	<p><i>National LGPS Scheme Advisory Board (SAB) Update</i></p> <p>The LGPS SAB Board met on 8 July 2019. A summary of that meeting, provided by the Secretary to the SAB, is attached in Appendix 2.</p>
1.05	<p><i>SAB Good Governance Project</i></p> <p>The SAB commissioned this report to examine the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing models which can strengthen LGPS governance going forward.</p> <p>As mentioned in the SAB update, the results of the good governance project have now been published and the full report can be found here - <a href="http://www.lgpsboard.org/images/PDF/GGreport.pdf">http://www.lgpsboard.org/images/PDF/GGreport.pdf</a>. Two working groups are being established by SAB to take forward the next stage of the project; one to focus on defining good governance outcomes and the guidance needed to clearly set them out and the other to focus on options for the independent assessment of outcomes and mechanisms to improve the delivery of those outcomes. Both groups will comprise a wide range of</p>

	<p>scheme stakeholders to ensure a full range of views and options are considered. The aim is for an options report to be ready for the SAB's consideration when it meets in November. Any proposals agreed by the SAB would be subject to a full stakeholder consultation before being put to MHCLG.</p> <p>The Clwyd Pension Fund Manager and the Fund's Independent Advisor have carried out an assessment of the findings against the current practices of the Fund. The results are included in Appendix 3 and purely focus on the areas that are directed specifically at Funds. As you can see, the Fund already carries out most of the areas highlighted for improvement.</p>
1.06	<p><i>The Pension Regulator's Survey Results</i></p> <p>TPR carries out an annual survey of public service pension schemes to identify where they follow the Regulator's Code of Practice 14, which focusses on strong governance and administration of schemes. The results of the fourth survey were issued in July and the summary of the results, with commentary, is attached as Appendix 4. The full results can be viewed here - <a href="https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2019.ashx">https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/public-service-research-2019.ashx</a>. As you can see from the commentary, the survey highlights improvements in many areas compared to previous years. As assisting in ensuring compliance with TPR requirements is a role of the Pension Board, it will consider the results in detail at their next meeting. In the meantime, the following summarises where CPF are in relation to the six areas highlighted by TPR (albeit it should be noted that TPR's focus relating to governance is on the Pension Board rather than the Pension Fund Committee):</p> <ul style="list-style-type: none"> <li>• Pension Board meetings - TPR suggests it is good practice for a Board to meet at least quarterly. CPF Pension Board only meet three times a year, albeit they have regular contact outside of the formal meetings, including during attendance at Committee meetings.</li> <li>• Knowledge and understanding – TPR highlights barriers relating to evaluating knowledge, and recruitment, training and retention of staff. It also highlights concern over turnover in Pension Board members. CPF has carried out a self-assessment of knowledge and skills with Committee and Board members, and this will be repeated in the next 6 to 12 months. There has been issues with recruitment of staff within CPF but excellent progress has been made in turning this around in the last 6 months. Whilst there have been no particular concerns around turnover of PB members the Board have recently learned that a scheme member representative is standing down with immediate effect. A recruitment process is underway.</li> <li>• Pension Board membership – TPR raised significant concerns about Pension Boards operating with fewer board members than required. All vacant positions at Clwyd Pension Fund have been filled very quickly so this is not considered to be an issue and noting that a recruitment exercise is underway as highlighted in the point above.</li> <li>• Risk registers – TPR expects risk registers to be reviewed at least quarterly with the Pension Board and Scheme Manager reviewing registers at every meeting. This is standard practice at Clwyd Pension Fund and the risk register is also reviewed regularly by the</li> </ul>

	<p>Fund's officers and advisers in between PFC and Pension Board meetings.</p> <ul style="list-style-type: none"> <li>• Collecting data – TPR suggests data should be collected electronically and more frequently (e.g. monthly). Clwyd Pension Fund has been moving to this with over a number of years with the implementation of i-Connect and all employers will be live by the end of 2020/21.</li> <li>• Cyber security – TPR highlighted that many schemes did not have basic measures to combat cyber security in place. They also highlighted the need to consider where scheme data is held with third parties. Clwyd Pension Fund has carried out some work in considering these areas, including inviting some suppliers to present on how they protect CPF data, and has already identified the need for ongoing work in this area.</li> <li>• Data quality – TPR identified a number of schemes with data quality issues. As highlighted in the Administration Update report, the CPF Administration Team has been working through a data improvement plan, and this has already resulted in data quality improvements.</li> <li>• Annual benefit statement – TPR has concerns annual benefit statements are not being issued on time, and where they are, they do not contain all required information. CPF has always been focussed on delivery high quality statements as well as meeting the legal timescale. It is expected that all statements will be issued by the legal timescale this year.</li> <li>• Administration – TPR expects all Pension Boards to consider administration as part of their standard agenda and CPF have always done this. TPR did also highlight that a number of complaints against schemes relate to poor administration and therefore Pension Boards should ensure they identify issues and advise the scheme manager. Again this is something CPF Pension Board already does.</li> </ul>
1.07	<p><b>Policy and Strategy Implementation and Monitoring</b></p> <p><i>Training Policy</i></p> <p>The Clwyd Pension Fund Training Policy requires all Pension Fund Committee, Pension Board members and Senior Officers to:</p> <ul style="list-style-type: none"> <li>• have training on the key elements identified in the CIPFA Knowledge and Skills Framework</li> <li>• attend training sessions relevant to forthcoming business and</li> <li>• attend at least one day each year of general awareness training or events.</li> </ul> <p>To date for 2019/20 there have been no training dates provided, just attendance at the June 2019 committee. Appendix 5 includes details of planned training events including forthcoming events considered suitable for general awareness training. Training is being arranged for the new Committee members.</p> <p>Committee members are reminded to highlight, at any point, topics they feel they need further training on.</p>
1.08	<p><i>Recording and Reporting Breaches Procedure</i></p>

	The Fund's procedure requires that the Clwyd Pension Fund Manager maintains a record of all breaches of the law identified in relation to the management of the Fund. Appendix 6 details the current breaches that have been identified.
1.09	<b>Delegated Responsibilities</b> The Pension Fund Committee has delegated a number of responsibilities to officers or individuals. No delegated responsibilities were used in the last quarter in relation to governance matters.
1.10	<b>Calendar of Future Events</b> Appendix 7 includes a summary of all future events for Committee and Pension Board members, including Pension Fund Committee meetings, Pension Board meetings, Training and Conference dates.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	None directly as a result of this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None directly as a result of this report.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Appendix 8 provides the dashboard showing the current risks relating to the Fund as a whole, as well as the extract of governance risks. The biggest governance risk relates to the impact of externally led influence and scheme change which could also restrict our ability to meet our objectives and/or legal responsibilities. This is due to the ongoing uncertainty around the cost cap process, the McCloud judgement and also some concerns around the governance of asset pooling.
4.02	There have been no changes to the risk register since it was last shared with the Committee other than changing the expected back on target date for risk numbers 4 and 7, which is mainly due to recruitment in the Finance Team taking longer than expected.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Business plan progress 2019/20 Appendix 2 – LGPS SAB update Appendix 3 – SAB Good Governance Project – CPF self-assessment Appendix 4 – The Pension Regulator’s Public Service Scheme – summary survey results Appendix 5 – Training plan Appendix 6 – Breaches Appendix 7 – Calendar of future events Appendix 8 – Risk register

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	No relevant background documents.  <b>Contact Officer:</b> Philip Latham, Clwyd Pension Fund Manager <b>Telephone:</b> 01352 702264 <b>E-mail:</b> <a href="mailto:philip.latham@flintshire.gov.uk">philip.latham@flintshire.gov.uk</a>

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<p>(a) <b>CPF – Clwyd Pension Fund</b> – The Pension Fund managed by Flintshire County Council for local authority employees in the region and employees of other employers with links to local government in the region.</p> <p>(b) <b>Administering authority or scheme manager</b> – Flintshire County Council is the administering authority and scheme manager for the Clwyd Pension Fund, which means it is responsible for the management and stewardship of the Fund.</p> <p>(c) <b>PFC – Clwyd Pension Fund Committee</b> - the Flintshire County Council committee responsible for the majority of decisions relating to the management of the Clwyd Pension Fund.</p> <p>(d) <b>LPB or PB – Local Pension Board or Pension Board</b> – each LGPS Fund has an LPB. Their purpose is to assist the administering authority in ensuring compliance with the scheme regulations, TPR requirements and efficient and effective governance and administration of the Fund.</p> <p>(e) <b>LGPS – Local Government Pension Scheme</b> – the national scheme, which Clwyd Pension Fund is part of.</p> <p>(f) <b>SAB – The national Scheme Advisory Board</b> – the national body responsible for providing direction and advice to LGPS administering authorities and to MHCLG.</p>

	<p>(g) <b>MHCLG – Ministry of Housing, Communities and Local Government</b> – the government department responsible for the LGPS legislation.</p> <p>(h) <b>JGC – Joint Governance Committee</b> – the joint committee established for the Wales Pension Partnership asset pooling arrangement.</p>
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